



Transmitted via e-mail

February 14, 2012

Ms. Kim Garcia, Assistant Director of Administration
Office of Traffic Safety
2208 Kausen Drive, Suite 300
Elk Grove, CA 95758

Dear Ms. Garcia:

Final Report—Tulare County Office of Education, Traffic Safety Grant Audit

The Department of Finance, Office of State Audits and Evaluations, has completed its audit of the Tulare County Office of Education's (County) California Friday Night Live Partnership—Focusing on Traffic Safety grant AL0946 for the period October 1, 2008 through September 30, 2009.

The enclosed report is for your information and use. The County's response to the report observations and our evaluation of the response are incorporated into this final report. This report will be placed on our website.

We appreciate the assistance and cooperation of the County. If you have any questions regarding this report, please contact Kimberly Tarvin, Manager, or Alma Ramirez, Supervisor, at (916) 322-2985.

Sincerely,

Original signed by:

David Botelho, CPA
Chief, Office of State Audits and Evaluations

Enclosure

cc: Mr. Mark Talan, Regional Coordinator, Office of Traffic Safety
Ms. Deborah Hrepich, Associate Accounting Analyst, Office of Traffic Safety
Mr. Jim Vidak, Superintendent of Schools, Tulare County Office of Education
Mr. Jim Kooler, Administrator, California Friday Night Live Partnership
Ms. Lynne Goodwin, Program Specialist, California Friday Night Live Partnership
Ms. Carol Hodson, Operations Manager, California Friday Night Live Partnership

AUDIT REPORT

Tulare County Office of Education
California Friday Night Live Partnership:
Focusing on Traffic Safety
Grant Agreement AL0946

Prepared By:
Office of State Audits and Evaluations
Department of Finance

MEMBERS OF THE TEAM

Kimberly Tarvin, CPA
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Staff
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Final reports are available on our website at <http://www.dof.ca.gov>

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BACKGROUND, SCOPE, AND METHODOLOGY

BACKGROUND

The Office of Traffic Safety (OTS) is charged with the responsibility of obtaining and distributing federal funds in an effort to carry out the direction of the National Highway Traffic Safety Act. The federal funds are designed to mitigate traffic safety problems as defined by the Highway Safety Plan. Currently, there are eight program priority areas earmarked for grant funding: Alcohol and Other Drugs, Occupant Protection, Pedestrian and Bicycle Safety, Emergency Medical Services, Traffic Records, Roadway Safety, Motorcycle Safety, and Police Traffic Services. OTS allocates funds to local government agencies to implement these programs via grant awards.¹

The Tulare County Office of Education (County) received a grant from OTS to implement the California Friday Night Live Partnership (FNL)—Focusing on Traffic Safety grant. The goal of the FNL program is to engage young people to make traffic safety a high priority in their lives via the following components: FNL Chapters dedicated to traffic safety, Mentoring Seat Belt Safety, Every Fifteen Minutes and Beyond campaigns, as well as a conference.²

SCOPE

In accordance with an interagency agreement, the Department of Finance, Office of State Audits and Evaluations, conducted a performance audit of the following grant:

| <u>Grant Agreement</u> | <u>Grant Period</u> | <u>Award</u> |
|------------------------|--|--------------|
| AL0946 | October 1, 2008 through September 30, 2009 | \$600,000 |

The audit objective was to determine whether the County's grant expenditures claimed were in compliance with applicable laws, regulations, and grant requirements; and to determine whether the grant goals and objectives were completed as required. In order to design adequate procedures to evaluate fiscal compliance, we obtained an understanding of the relevant internal controls. We did not assess the efficiency or effectiveness of program operations.

County management is responsible for ensuring accurate financial reporting and compliance with applicable laws, regulations, and grant requirements. OTS is responsible for the state-level administration of the grant program.

METHODOLOGY

To determine whether grant expenditures were in compliance with applicable laws, regulations, and the grant requirements; and if the grant goals were completed as required, we performed the following procedures:

¹ Excerpts from www.OTS.ca.gov.

² Source: Grant agreement AL0946.

- Interviewed key personnel to obtain an understanding of the grant-related internal controls.
- Examined the grant files, the grant agreement, and applicable policies and procedures.
- Reviewed the County's accounting records, vendor invoices, and cancelled checks.
- Selected a sample of expenditures to determine if costs were allowable, grant-related, incurred within the grant period, supported by accounting records, and properly recorded.
- Performed procedures to determine if other revenue sources were used to reimburse expenditures already reimbursed with grant funds.
- Evaluated whether a sample of goals and objectives required by the grant agreement were met.

The results of the audit are based on our review of documentation, other information made available to us, and interviews with staff directly responsible for administering grant funds. The audit was conducted from March 2011 through December 2011.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Except as noted below, the County met the fiscal requirements for the grant agreement. The Schedule of Claimed and Questioned amounts is presented in Table 1.

Table 1: Schedule of Claimed and Questioned Amounts

| Grant Agreement AL0946 For the Period October 1, 2008 through September 30, 2009 | | |
|---|----------------------|------------|
| Category | Claimed ¹ | Questioned |
| Personnel Costs | \$258,439 | \$7,459 |
| Travel Expenses | 7,008 | 0 |
| Contractual Services ² | 250,083 | 1,797 |
| Other Direct Costs | 6,117 | 0 |
| Indirect Costs | 18,232 | 538 |
| Total Expenditures | \$539,879 | \$9,794 |

Observation 1: Ineligible Personnel and Indirect Costs Claimed

The County claimed \$7,459 in salary and benefits and \$538 in related indirect costs for vacation paid in excess of vacation time earned during the grant period. OTS Grant Program Manual, section 2.5.1, states personnel costs for authorized absences are reimbursable only up to the amount earned during the grant term. This is a recurring finding from a prior audit.

Recommendations:

- A. Remit \$7,997 to OTS. OTS will make the final determination regarding disposition of the questioned costs.
- B. Implement claim preparation and review procedures to ensure claims for reimbursement only include eligible costs.

Observation 2: Ineligible Contractual Service Costs Claimed

The County claimed \$1,797 in ineligible contractual costs as follows:

- \$997 in unsupported subcontractor costs. The County did not request or review appropriate documentation to support these costs prior to payment. This is a recurring finding from a previous audit.
- \$800 in entertainment costs incurred by the County during the Youth Traffic Safety Conference.

¹ For grant agreement AL0946, the County only claimed \$539,879 of the \$600,000 awarded.

² The County reported \$8,773 in registration fees from the Traffic Safety Youth Conference. This income was used to offset conference costs.

OTS Grant Program Manual, sections 4.1, 4.5, and 5.1, state the grantee is responsible for ensuring: 1) Grant costs are supported by detailed source documents that reliably account for funds expended, 2) Claims are prepared using the agency's accounting records and based only on recorded costs for the period covered, and 3) Claims are correctly computed and reconciled. Further, section 2.8 states that entertainment costs as are not eligible for reimbursement.

Recommendations:

- A. Remit \$1,797 to OTS. OTS will make the final determination regarding disposition of the questioned costs.
- B. Implement claim preparation and review procedures to ensure claims for reimbursement only include supported eligible costs.

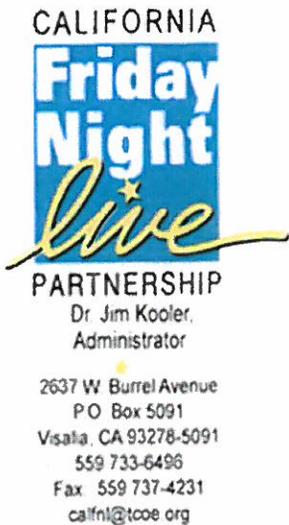
Observation 3: The County Did Not Meet Two Significant Grant Objectives

Based on records provided, the County only implemented 25 of the required 44 parent involvement components, and only 33 of the required 44 school assemblies in the campaign to increase knowledge of traffic safety/underage drinking prevention. The lack of meeting grant objectives is a recurring finding from a prior audit.

OTS Grant Agreement AL0946 outlines the goals and objectives that were to be accomplished by the grantee by the end of the grant period. Failure to meet the goals and objectives may result in withholding or disallowance of grant reimbursements, the reduction or termination of grant funding, or denial of future grant funding.

Recommendation:

For future grants, the County should implement procedures to effectively plan the grant activities to ensure goals and objectives are met. OTS will determine the actions, if any, to take as a result of the unmet objectives.



Friday Night Live

Club Live

**Friday Night Live
Kids**

**Friday Night Live
Mentoring**

**California Youth
Council**

Tulare County
Office of Education
Jim Vidak,
Superintendent
California Friday Night Live
Collaborative
Youth Leadership
Institute

Friday Night Live builds
partnerships for positive
and healthy youth
development which
engage youth as active
leaders and resources
in their communities.

www.fridaynightlive.org



Tulare County Office of Education/California Friday Night Live Partnership Grant Agreement AL0946 Audit Report Response

This document will include response to each observation referenced in the audit report for the Office of Traffic Safety Grant Agreement AL0946. It should be noted, that the contractor represented in the above referenced agreement is the Tulare County Office of Education, which is the housing agency for the California Friday Night Live Partnership. Tulare County Friday Night Live is the agency cited on the audit report and is not affiliated with this audit report, nor the agency indicated on the grant agreement AL0946. This should be corrected.

Observation 1: Ineligible Personnel and Indirect Costs Claimed

This observation is undisputed. While we did have a minor finding in this area on a previous audit, this particular incident was related to the exit of an employee and a gap in our processes allowed the employees vacation to be charged to the grant. Since this time, departmental procedures related to OTS personnel have been changed to prevent this from occurring again. Any TCOE/CFNLP employee funded by OTS, is required to use the vacation time accrued during that contract period, during that contract period.

Observation 2: Ineligible Contractor Service Costs Claimed

This observation is undisputed with exception to the statement that the County did not request or review appropriate documentation to support these costs prior to payment. The documentation was requested and reviewed and found to be appropriate. It was not until the 4th quarter that it could be determined that the sub-contractor supplied documentation that

was out of alignment. In response, Tulare County Office of Education (TCOE) issued a request for reimbursement of the funds. The funds were returned to TCOE and subsequently forwarded to the Office of Traffic Safety. (supporting documentation is attached)

The \$800 entertainment cost was incorrectly coded for fund distribution. The expense was incurred with another funding source in place to support it.

Observation 3: The County Did Not Meet Two Significant Grant Objectives.

This finding is disputed. The document forwarded to Ms. Krushke, on or about April 12 reflects both of the objectives in question, as being completed. This document lists each county with a cross-reference to the report that reflects the activities completion. There are two issues that come into play that may have resulted in this finding, as it is presented:

1. There is not a common understanding/interpretation of the activities, as reported. For that reason, a cross reference was provided with the documents to Ms. Krushke. When the project was started, it was agreed upon at the project start up conference that the 44 "assemblies" would be treated as engagement activities, as opposed to a traditional assembly, as the term "assembly" is counter intuitive to the Friday Night Live program philosophy. This was a verbal agreement regarding the implementation of the assemblies and it was not presented to us that a formal contract change was needed, as it was not less activities, just a different name for them. Additionally, reports indicate that the Parent Component was met and exceeded. These reports were provided, but possibly misinterpreted.
2. Additional reporting instruments were presented, near the end of the second quarter but the process related to its implementation was unclear and not in good alignment with the project. There was difficulty, for both sides, with the execution of this document. It is our position that communication challenges contributed to a clear interpretation of the completion of the objectives.

Original signed by

Dr. Jim Kooler

EVALUATION OF RESPONSE

The Department of Finance reviewed the response to our draft audit report submitted by Tulare County Office of Education (County) on January 13, 2012. Comments are not provided on observations or portions thereof where the County agrees or proposes adequate corrective action. The County notes a correction to the name of the agency unit handling the grant and we have made the corrections as necessary throughout the report. The following comments relate to observations 2 and 3.

Observation 2: Ineligible Contractual Service Costs Claimed

The County disagrees with the portion of the finding related to the review of contractor documentation in support of claimed costs prior to payment. However, the contractor identified the lack of proper documentation and agreed to return the funds in question as a result of our audit documentation request. Therefore, the observation and recommendation will remain unchanged.

Observation 3: The County Did Not Meet Two Significant Grant Objectives

The County disagrees with not having met the objectives cited in this observation and indicates a verbal agreement between the County and OTS took place regarding the treatment of assemblies as engagement activities. However, because the County did not provide documentation demonstrating changes to the grant agreement were approved by OTS, the observation and recommendation will remain unchanged. The County also states the reports provided during the audit indicate the parent component was met and exceeded. Because the County did not provide additional documentation to support this assertion, the observation and recommendation will remain unchanged.